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TAGS: ECON EINV EIND ELTN SK UZ  
SUBJECT: GM VENTURES INTO UZBEK ECONOMY

REF: TASHKENT 1662 (NOTAL)

Classified By: CLASSIFIED BY ECON OFF B. OLSEN FOR REASONS 1.4 (B, D).

¶1. (U) On October 8 GM-DAT, a Korean-based GM subsidiary, signed a joint venture with UzDaewoo, receiving 25 percent plus one share of the company, with the possibility of increasing its share to 40 percent. As noted reftel, this deal brings the Chevrolet brand to Uzbekistan, with an eye to the Central Asian and Russian markets. At a meeting in September, GM-DAT told emboffs it was seeking a 40 percent stake in the company. GM-DAT is exchanging its technological and marketing expertise for the 25 percent share, not buying it. (Note: Talks with Hyundai broke down because Hyundai wanted a majority stake. End note.)

¶2. (C) Comment: This is the first joint venture in over two years between a large multinational U.S. enterprise and an Uzbek entity. As such, the government, namely President Karimov, is very proud of its accomplishment and has decorated Tashkent with GM banners and celebrated with fireworks at a large gala, attended by the Ambassador. Emboff spoke with UzDaewoo contacts who expressed resentment towards GM-DAT, saying that GM-DAT outwitted UzDaewoo and cut it off from the Russian market. This resentment is patriotic emotion and not based on factual reality. Given the poor management and antiquated technology of UzDaewoo, its Russian market access is quite limited and would precipitously decrease without GM-DAT's technology. However, this hint of UzDaewoo resentment could be indicative of future problems in the joint venture, especially if the Uzbek side becomes too greedy. A senior GM official told Ambassador, following the Oct. 8 signing ceremony, that GM will "definitely follow-up" with the Embassy, implying that he does not anticipate smooth sailing ahead.

NORLAND